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## DOES FORECAST UNCERTAINTY MATTER? IT DEPENDS

The publication by the ECB of different economic scenarios illustrates the extent of uncertainty which at present surrounds the forecasts for key macroeconomic variables. As a consequence, companies may hold off investing, preferring to wait for better visibility. While understandable at the micro level, such a wait-and-see attitude could act as a drag on growth and reinforce the view of companies that their caution was warranted. The large increase in the dispersion of earnings forecasts points to huge uncertainty at the individual company level. However this has not stopped the US equity market from rallying. Although several factors help to explain these different reactions to uncertainty, such dissension cannot last forever. At some point company cautiousness or investor bullishness will have to give in.

The Covid-19 pandemic has not only caused a huge drop in demand and activity, it has also caused a jump in forecast uncertainty. This phenomenon is typical for recessions and is due to the difficulty of anticipating the strength and speed of recovery.

Psychological factors like confidence and animal spirits play an important role but they are hard to anticipate. During the previous recession, the consensus forecast for real US GDP growth in 2009 was -1.3% with a range between -2.5% and 0.3%<sup>1</sup>. The current Bloomberg consensus for 2020 is -5.9% with a range between -10.5% and -2.5%. For next year, the equivalent numbers are 4.1%, 0.5% and 11.4%. The forecast ranges today are five times bigger than at the end of 2008. This illustrates the uncertainty concerning the severity of the recession and the potential for a rebound. These swings make forecasting a particularly difficult exercise.

Macro uncertainty tends to go hand in hand with micro uncertainty. To visualise the latter, the chart shows the dispersion of earnings per share forecasts for the next 12 months. This uncertainty measure has seen a big jump, twice as high as in 2008. Such an abnormally big movement should not come as a surprise given the nature and extent of the current crisis. What is perhaps more striking is the development of the US equity market. Whereas in the past, a sudden increase of the uncertainty about the earnings outlook used to be accompanied by a decline in share prices, in the past three months we have seen a rather short-lived decline in equities followed by a significant rally, although the uncertainty about the earnings outlook remains at a very high level. Confronted with reduced earnings visibility, market participants have probably shortened their investment horizon and stopped worrying how profits will evolve. Monetary and fiscal policy support, as well as the gap between dividend yields and bond yields, then provide the motivation for buying equities in the short run, all the more so considering that low transaction costs imply that the position can easily be closed should things turn out differently than expected.

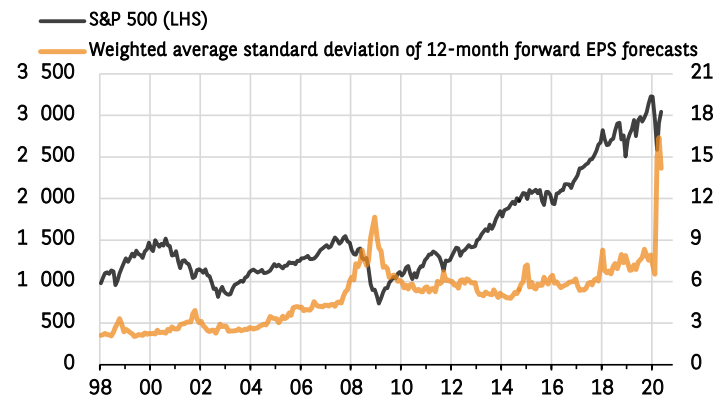
The reaction of company boards is quite different. A blurred earnings

1. Source : Consensus Forecasts, December 2008. Real GDP growth turned out to be -2.5% in 2009.

outlook will create a reluctance to invest and increase capacity, pending better visibility about the future. Contrary to financial investments, capital formation is difficult to reverse once a project has been launched, so faced with high transaction costs companies will tend to adopt a wait-and-see attitude. While understandable at the micro level, such caution if generally adopted comes with a macro cost in terms of slower growth. This in turn can strengthen the conviction of corporate executives who have argued it is better to feel safe than sorry. However, a big difference between financial markets and companies in terms of attitude to the same sources of uncertainty cannot last forever. Either growth picks up, creating an impression of improved visibility and corporate animal spirits make a comeback or growth remains subdued and markets start to worry about the earnings outlook. Unless the Fed comes to the rescue again.

William De Vijlder

### US : CORPORATE EARNINGS UNCERTAINTY AND EQUITY MARKET



SOURCE: STANDARD AND POOR'S, IBES, DATASTREAM, BNP PARIBAS

A big difference between financial markets and companies in terms of attitude to the same sources of uncertainty cannot last forever. Either growth picks up and corporate animal spirits make a comeback or growth remains subdued and investors throw in the towel unless the Fed comes to the rescue again.



# MARKETS OVERVIEW

## OVERVIEW

Week 29-5 20 to 3-6-20

➔ CAC 40	4 695	▶ 5 022	+7.0 %
➔ S&P 500	3 044	▶ 3 123	+2.6 %
➔ Volatility (VIX)	27.5	▶ 25.7	-1.9 pb
➔ Libor \$ 3M (%)	0.34	▶ 0.33	-1.7 bp
➔ OAT 10y (%)	-0.06	▶ 0.03	+8.7 bp
➔ Bund 10y (%)	-0.45	▶ -0.35	+10.0 bp
➔ US Tr. 10y (%)	0.63	▶ 0.76	+12.8 bp
➔ Euro vs dollar	1.11	▶ 1.12	+0.9 %
➔ Gold (ounce, \$)	1 732	▶ 1 696	-2.0 %
➔ Oil (Brent, \$)	35.4	▶ 39.9	+12.6 %

### Interest Rates

		highest 20	lowest 20
\$ FED	0.25	1.75 at 01/01	0.25 at 16/03
Libor 3M	0.33	1.91 at 01/01	0.33 at 03/06
Libor 12M	0.62	2.00 at 01/01	0.62 at 03/06
£ BoE	0.10	0.75 at 01/01	0.10 at 19/03
Libor 3M	0.24	0.80 at 08/01	0.21 at 01/06
Libor 12M	0.57	0.98 at 01/01	0.52 at 11/03

At 3-6-20

## MONEY & BOND MARKETS

### Yield (%)

		highest 20	lowest 20
€ AVG 5-7y	0.02	0.72 at 18/03	-0.28 at 04/03
Bund 2y	-0.62	-0.58 at 14/01	-1.00 at 09/03
Bund 10y	-0.35	-0.17 at 19/03	-0.84 at 09/03
OAT 10y	0.03	0.28 at 18/03	-0.42 at 09/03
Corp. BBB	1.54	2.54 at 24/03	0.65 at 20/02
\$ Treas. 2y	0.20	1.59 at 08/01	0.13 at 07/05
Treas. 10y	0.76	1.91 at 01/01	0.50 at 09/03
High Yield	6.70	11.29 at 23/03	5.44 at 21/02
£ gilt. 2y	0.01	0.61 at 08/01	-0.02 at 02/06
gilt. 10y	0.22	0.83 at 01/01	0.13 at 29/05

At 3-6-20

## EXCHANGE RATES

1€ =		highest 20	lowest 20	2020
USD	1.12	1.14 at 09/03	1.07 at 20/03	-0.0%
GBP	0.89	0.94 at 23/03	0.83 at 18/02	+5.1%
CHF	1.08	1.09 at 01/01	1.05 at 14/05	-0.7%
JPY	122.10	122.70 at 16/01	114.51 at 06/05	+0.1%
AUD	1.62	1.87 at 23/03	1.60 at 01/01	+1.3%
CNY	7.98	7.98 at 03/06	7.55 at 19/02	+2.0%
BRL	5.64	6.42 at 13/05	4.51 at 02/01	+24.9%
RUB	77.02	87.95 at 30/03	67.75 at 10/01	+10.5%
INR	84.67	84.67 at 03/06	77.21 at 17/02	+5.7%

At 3-6-20

Change

## COMMODITIES

Spot price, \$		highest 20	lowest 20	2020	2020(€)
Oil, Brent	39.9	69.1 at 06/01	16.5 at 21/04	-39.9%	-39.8%
Gold (ounce)	1 696	1 746 at 20/05	1 475 at 19/03	+11.6%	+11.6%
Metals, LME	2 532	2 894 at 20/01	2 232 at 23/03	-11.0%	-10.9%
Copper (ton)	5 499	6 270 at 14/01	4 625 at 23/03	-10.6%	-10.5%
CRB Foods	303	341.5 at 21/01	272 at 27/04	-10.5%	-10.5%
wheat (ton)	196	2.4 at 21/01	190 at 19/05	-14.6%	-14.6%
Corn (ton)	121	1.5 at 23/01	113 at 28/04	-1.9%	-18.9%

At 3-6-20

Change

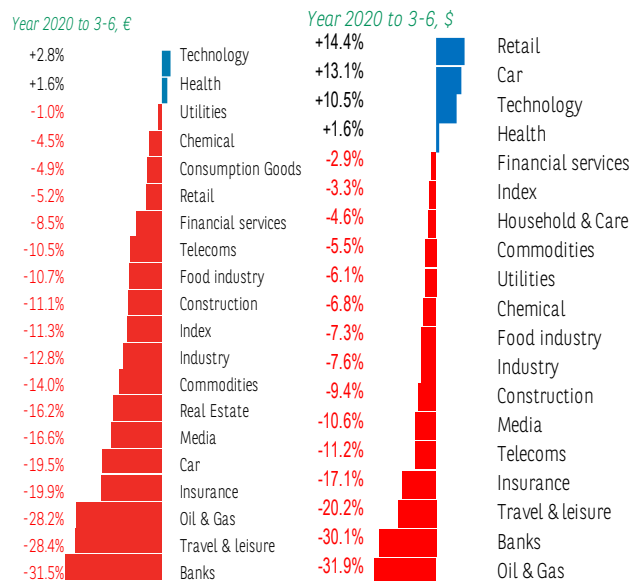
## EQUITY INDICES

	Index	highest 20	lowest 20	2020
<b>World</b>				
MSCI World	2 223	2 435 at 12/02	1 602 at 23/03	-5.8%
<b>North America</b>				
S&P500	3 123	3 386 at 19/02	2 237 at 23/03	-3.3%
<b>Europe</b>				
EuroStoxx50	3 270	3 865 at 19/02	2 386 at 18/03	-12.7%
CAC 40	5 022	6 111 at 19/02	3 755 at 18/03	-1.6%
DAX 30	12 487	13 789 at 19/02	8 442 at 18/03	-5.7%
IBEX 35	7 626	10 084 at 19/02	6 107 at 16/03	-2.0%
FTSE100	6 382	7 675 at 17/01	4 994 at 23/03	-1.5%
<b>Asia</b>				
MSCI, loc.	921	1 034 at 20/01	743 at 23/03	-0.9%
Nikkei	22 614	24 084 at 20/01	16 553 at 19/03	-4.4%
<b>Emerging</b>				
MSCI Emerging (\$)	988	1 147 at 17/01	758 at 23/03	-1.1%
China	85	90 at 13/01	69 at 19/03	-0.6%
India	476	609 at 17/01	353 at 23/03	-14.8%
Brazil	1 532	2 429 at 02/01	1 036 at 23/03	-19.3%
Russia	661	857 at 20/01	419 at 18/03	-10.1%

At 3-6-20

Change

## PERFORMANCE BY SECTOR (EUROSTOXX 50 & S&P500)

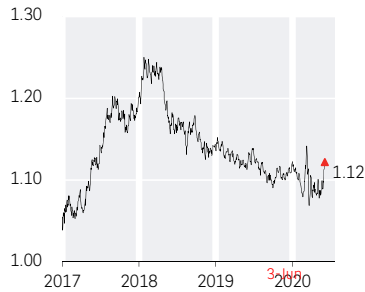


SOURCE: THOMSON REUTERS,

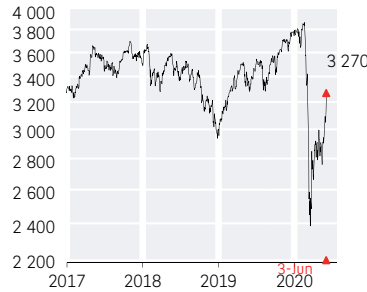


# MARKETS OVERVIEW

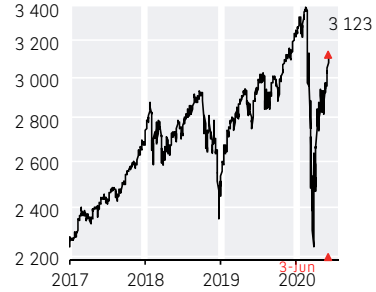
**EURO-DOLLAR**



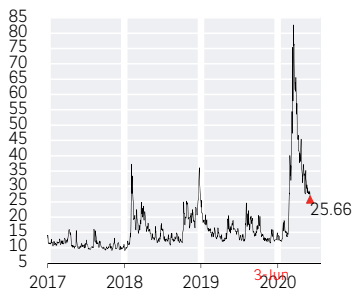
**EUROSTOXX50**



**S&P500**



**VOLATILITY ( VIX, S&P500)**



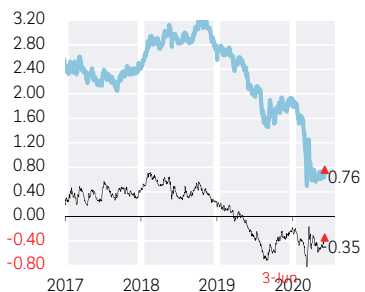
**MSCI WORLD (USD)**



**MSCI EMERGING (USD)**

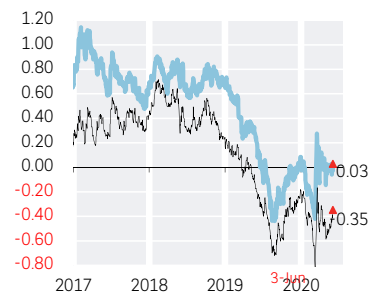


**10Y BOND YIELD, TREASURIES VS BUND**



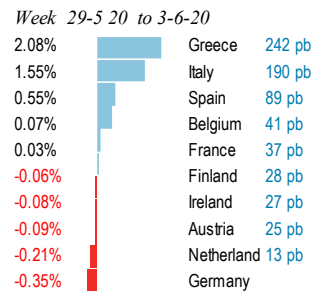
—Bunds —US Treasuries

**10Y BOND YIELD**

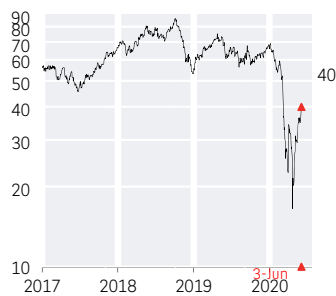


—Bunds —OAT

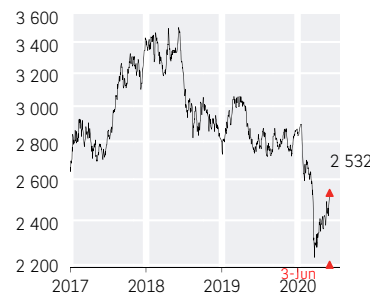
**10Y BOND YIELD & SPREADS**



**Oil (BRENT, USD)**



**METALS (LME, USD)**



**GOLD (OUNCE, USD)**



SOURCE: THOMSON REUTERS,



# ECONOMIC PULSE

## PURCHASING MANAGERS' INDICES HAVE TROUGHED BUT THE LEVEL REMAINS LOW

The gradual easing of lockdown measures has for the month of May, as expected, led to an improvement in the manufacturing PMIs in all countries with the exception of the Netherlands and Japan.

The extent of the rebound however varies greatly between countries and some caution is warranted in interpreting the index for Denmark which historically has, at times, shown big swings. The PMI for China has moved above the 50 mark but only slightly so. All in all, the levels remain low to very low, although the coming months should see an improvement. The picture for new export orders remains very bleak.

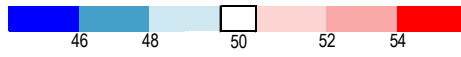
The readings for manufacturing employment have improved somewhat, with Germany being a notorious exception, but the levels remain well below those reached only a couple of months ago. This does not bode well in terms of labour market outlook. The services PMIs, after a huge drop in March and April, have rebounded strongly in May. Importantly, in China this index is again well above 50.

Finally, looking only at the eurozone countries, one can only be struck by the observation that all indices are in the bottom end of the range.

**William De Vijlder**

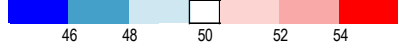
### MANUFACTURING PMI (WORLD)

Month	Developed Markets																	Emerging countries																	
	World	NA		Europe							Asia-Oceania			LATAM		Eurasia			Middle East & Africa			Asia													
		CANADA	USA	EURO ZONE		AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA
Jul-19	49.3	50.2	50.4	46.5	47.0	49.8	49.7	43.2	54.6	48.7	48.5	50.7	48.2	45.2	48.0	51.3	48.4	49.4	49.8	49.9	49.8	43.1	47.4	49.3	46.7	50.3	47.7	56.6	50.2	55.1	49.9	43.8	52.5	49.6	52.6
Aug-19	49.6	49.1	50.3	47.0	47.9	49.4	51.1	43.5	54.9	48.6	48.7	51.6	47.7	44.9	48.3	53.1	48.8	49.3	49.9	52.5	49.0	44.9	48.8	49.1	48.0	49.4	47.8	57.0	46.5	51.6	50.4	40.8	51.4	49.0	51.4
Sep-19	49.8	51.0	51.1	45.7	45.1	50.9	50.1	41.7	53.6	48.7	47.8	51.6	47.7	44.9	48.3	54.7	48.9	48.9	49.5	53.4	49.1	44.9	47.8	46.3	50.0	49.5	46.4	57.3	45.1	51.1	51.4	41.5	51.4	49.1	50.5
Oct-19	49.8	51.2	51.3	45.9	45.5	50.2	50.7	42.1	53.5	50.7	47.7	50.3	46.8	48.9	49.6	51.6	52.5	48.4	49.6	52.2	50.4	45.0	45.6	47.2	49.0	49.2	48.3	57.8	48.1	51.1	51.7	39.3	50.6	47.7	50.0
Nov-19	50.3	51.4	52.6	46.9	46.0	53.0	51.7	44.1	54.1	49.7	47.6	49.6	47.5	48.5	48.9	48.1	51.1	48.9	49.8	52.9	48.0	43.5	46.7	45.6	49.5	47.9	37.0	58.3	47.7	50.3	51.8	38.5	51.2	48.2	51.0
Dec-19	50.1	50.4	52.4	46.3	46.0	50.5	50.4	43.7	53.9	49.5	46.2	48.3	47.4	48.8	47.5	48.3	48.7	48.4	50.1	50.2	47.1	43.6	48.0	47.5	49.5	48.2	45.1	56.9	47.1	50.2	51.5	42.1	52.7	49.5	50.8
Jan-20	50.3	50.6	51.9	47.9	49.2	50.6	51.1	45.3	54.4	51.4	48.9	49.9	48.5	47.8	50.0	45.4	48.7	48.8	50.3	51.0	49.0	45.2	47.4	47.9	51.3	46.0	44.9	54.9	45.2	49.3	51.1	46.8	55.3	49.3	50.6
Feb-20	47.1	51.8	50.7	49.2	50.2	45.9	49.8	48.0	56.2	51.2	48.7	52.9	50.4	49.5	51.7	44.3	53.7	47.8	48.7	52.3	50.0	46.5	48.2	48.2	52.4	47.1	45.4	52.5	44.3	49.1	40.3	33.1	54.5	51.9	49.0
Mar-20	47.3	46.1	48.5	44.5	45.8	44.2	43.2	45.4	42.5	45.1	40.3	50.5	45.7	43.7	47.8	53.7	38.0	44.8	45.4	48.4	47.9	41.3	42.4	47.5	48.1	44.2	35.0	42.4	48.1	45.2	50.1	34.9	51.8	45.3	41.9
Apr-20	39.6	33.0	36.1	33.4	31.6	37.2	31.5	34.5	29.5	36.0	31.1	41.3	30.8	40.7	32.6	35.8	26.1	41.9	44.7	36.0	35.0	35.1	31.9	31.3	33.4	29.7	30.9	44.4	46.1	44.1	49.4	36.9	27.4	27.5	32.7
May-20	42.4	40.6	39.8	39.4	40.4	54.0	40.6	36.6	41.1	39.2	45.4	40.5	38.3	42.1	40.7	41.6	38.4	38.3	38.3	39.6	40.6	36.2	40.9	40.7	37.2	48.1	50.2	46.7	50.7	43.9	30.8	28.6	42.7		



### MANUFACTURING PMI - NEW EXPORT ORDERS (WORLD)

Month	Developed Markets																	Emerging countries																
	World	NA		Europe							Asia-Oceania			LATAM		Eurasia			Middle East & Africa			Asia												
		CANADA	USA	EURO ZONE		AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA
Jul-19	48.4	48.0	49.2	44.2	46.5	49.0	38.2	53.2	46.7	48.8	49.2	49.3	46.5	54.6	47.6	50.3	47.1	49.8	40.2	47.0	48.3	50.0	52.2	49.3	53.2	49.8	58.7	49.9	40.9	52.1	52.5	51.3		
Aug-19	47.5	49.4	45.8	45.9	47.3	50.6	40.7	54.1	48.5	49.5	51.0	49.5	43.8	55.7	48.1	49.9	50.3	50.5	38.9	47.6	44.8	49.2	52.5	48.1	52.7	50.6	56.9	48.2	30.4	51.9	47.2	51.9		
Sep-19	48.0	50.4	48.4	44.8	43.5	50.0	40.7	52.3	46.0	47.8	49.8	46.5	49.1	49.6	47.7	49.7	48.8	49.7	40.5	45.2	43.8	47.0	51.1	47.8	52.8	48.6	52.9	49.0	34.0	50.3	48.3	51.4		
Oct-19	49.0	49.0	50.5	45.8	43.8	50.4	41.8	52.7	49.0	48.1	50.8	48.2	51.6	51.8	47.5	49.4	47.9	50.1	41.2	42.1	40.6	46.7	47.4	47.7	51.5	48.0	49.0	51.1	32.9	51.7	49.2	51.1		
Nov-19	49.0	48.4	51.0	46.3	45.5	50.9	44.1	54.2	47.5	46.2	49.5	46.6	46.0	49.8	46.8	49.8	45.0	47.6	41.9	43.8	42.6	49.2	47.2	30.4	52.0	49.8	50.8	51.0	34.8	51.3	50.6	52.1		
Dec-19	49.2	48.7	50.6	47.3	46.8	49.9	46.3	55.1	46.5	46.7	46.4	49.1	46.1	54.0	47.0	50.1	40.1	46.4	44.3	45.5	45.5	49.4	42.2	45.1	49.6	46.6	50.4	50.9	36.1	51.5	48.9	49.4		
Jan-20	49.5	49.0	49.5	49.5	50.4	50.2	49.6	55.5	50.2	49.0	49.0	48.0	47.7	49.8	49.3	50.3	44.8	48.5	45.1	44.6	46.6	51.4	38.5	43.0	48.9	50.5	51.3	49.4	40.8	54.5	48.7	52.6		
Feb-20	44.9	50.5	49.1	47.6	49.3	47.5	46.1	57.7	48.4	48.5	50.8	49.5	49.6	44.5	47.1	48.1	49.2	51.1	44.8	44.1	47.8	52.8	39.4	45.9	50.6	47.7	49.8	36.4	18.6	54.2	49.1	49.2		
Mar-20	42.9	44.2	46.2	37.0	36.0	34.7	35.8	34.4	41.7	36.0	45.5	40.9	43.0	44.6	40.0	43.0	46.3	49.0	33.9	35.4	43.1	42.0	33.2	21.3	41.3	39.4	44.3	46.4	17.7	46.9	29.8	37.0		
Apr-20	27.1	30.9	24.9	18.9	17.5	15.6	18.8	18.8	25.7	18.2	28.1	17.3	25.2	42.6	33.0	42.5	30.2	30.8	22.7	21.7	22.0	21.2	11.8	17.5	37.8	32.3	35.2	33.7	19.7	10.3	8.5	17.7		
May-20	32.2	39.2	25.9	28.7	30.2	29.2	24.5	36.1	30.9	35.8	29.6	30.4	33.9	31.1	30.8	31.7	34.2	32.2	29.4	30.5	29.8	34.7	30.9	45.1	20.2	40.2	41.7	36.4	11.8	15.8	34.3			



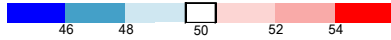
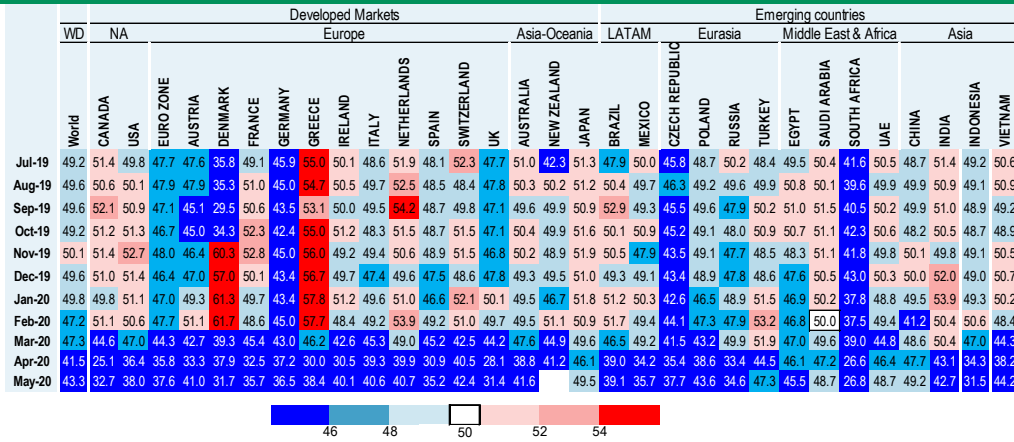
SOURCE: MARKIT, BNP PARIBAS



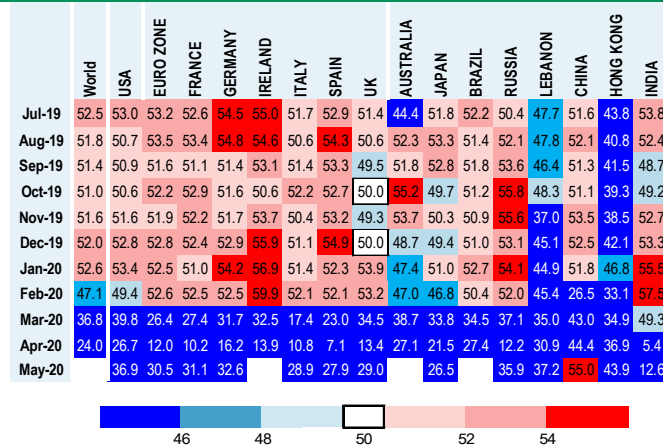
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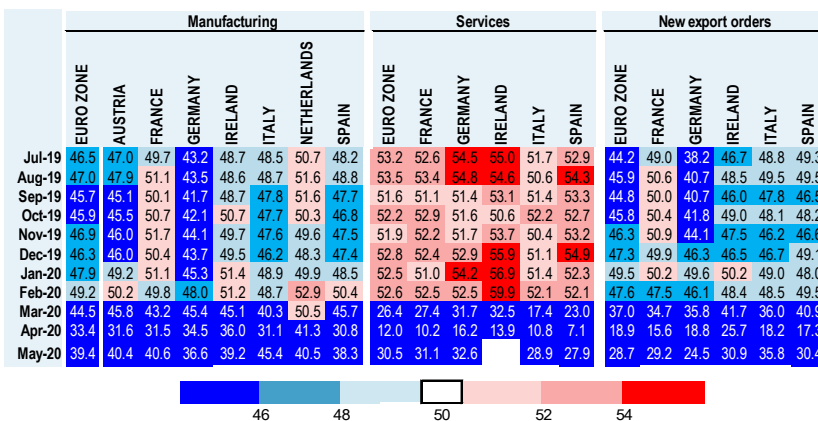
MANUFACTURING PMI - EMPLOYMENT (WORLD)



SERVICES PMI (WORLD)



PMI INDICATORS (EUROZONE)



SOURCE: MARKIT, BNP PARIBAS



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# ECONOMIC SCENARIO

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## UNITED STATES

- The economy is increasingly impacted by the spreading of the coronavirus and concern is mounting about the increase in the unemployment rate, which will weigh on consumer spending. This explains the very significant measures taken by the Federal Reserve and those announced by the Administration. In addition the Administration is preparing a new package of measures. Clearly, the near term prospects depend on how the epidemic evolves. Once we will be beyond the peak, the measures taken thus far will be instrumental in supporting the recovery in demand and activity.

## CHINA

- Economic activity fell abruptly in February, the first month of the lockdown, and real GDP contracted by an unprecedented 6.8% y/y in Q1 2020. Since March, activity has been recovering gradually, though more rapidly on the supply side and in the industry than on the demand side and in services. The authorities have loosened their monetary and fiscal policies gradually. Credit conditions are expected to continue to be eased cautiously given the already excessive debt burden of the economy. Meanwhile, the fiscal leeway remains large and public investment growth should accelerate further. Downside risks on our 2020 scenario are significant. On the external front, they are due to the vulnerability of the Chinese manufacturing sector to global trade weakening and US protectionism.

## EUROZONE

- The huge impact of the coronavirus epidemic is becoming increasingly visible in activity and demand data, following lockdowns, but also in confidence data and business expectations. The first semester will be significantly affected although the extent depends on when the epidemic will be brought under control. Taking guidance from the experience in China, the second semester should see an improvement in activity, which should be helped by the huge support measures which are being taken. Forecasts are entirely dependent on the scenario which is assumed for the epidemic.

## FRANCE

- The recessionary shock triggered by the Covid-19 pandemic and ensuing lockdown measures is massive. After an already historic fall of 5.3% q/q in Q1, Q2 GDP plunge could reach 20% q/q according to the INSEE. However, as a result of the first phase of the deconfinement, some green shoots of the recovery are visible in May business surveys. The recovery is expected to gain momentum, but only progressively as it spreads to all sectors of activity. Not all of them are in the same boat in terms of catching up and getting back to normal. Our new growth scenario incorporates a deeper trough in activity followed by a shallower rebound. After responding to the emergency with relief measures, support for the economy is changing. Sectoral measures have already been identified (tourism, automobile); the global stimulus package, currently being drawn up, is announced for September.

## INTEREST RATES AND FX RATES

- In the US, the Federal Reserve has taken, in several meetings, a host of measures to inject liquidity in the financial system and facilitate the financing of companies. The federal funds rate has been brought down to the zero lower bound and QE has been restarted. Additional measures are to be expected should the economic and liquidity situation deteriorate further. Treasury yields have seen initially a big drop, reflecting a flight to safety but have also been very volatile. More recently yields have increased on the back of expectations of a pick-up in activity once the lockdown eases and due to increased bond supply. We expect this trend to continue.

- In the eurozone, the ECB has taken considerable measures to inject liquidity by starting and subsequently extending a temporary Pandemic Emergency Purchase Programme, expanding the range of eligible assets under the corpo-

rate sector purchase programme (CSPP) to non-financial commercial paper and by easing the collateral standards by adjusting the main risk parameters of the collateral framework. More is to be expected should circumstances require. These measures should also keep a lid on sovereign bond spreads. The movement of bond yields will be very much influenced by what happens to US yields, and hence, in the near term, by news about the epidemic.

- The Bank of Japan has kept its policy rate unchanged but has decided to double its purchases of ETFs and J-REITS (Investment funds tied to Japanese real estate). The target for its corporate bonds purchases has also been increased.

- We expect the recent trend of dollar weakening to continue due to hedging behaviour and a view that the ECB action will be successful in avoiding market fragmentation and in supporting the economy.

### GROWTH & INFLATION

%	GDP Growth**			Inflation		
	2019	2020 e	2021 e	2019	2020 e	2021 e
United-States	2.3	-6.6	5.8	1.6	1.2	2.2
Japan	0.7	-5.0	2.1	0.5	-0.2	-0.2
United-Kingdom	1.4	-8.8	5.4	1.8	0.7	1.7
Euro Area	1.2	-9.2	5.8	1.2	0.2	1.2
Germany	0.6	-6.0	5.3	1.4	0.5	1.4
France	1.3	-11.1	5.9	1.3	0.3	1.3
Italy	0.2	-12.1	6.1	0.6	-	-
Spain	2.0	-12.5	6.3	0.7	-0.2	1.3
China	6.1	2.5	8.1	2.9	3.1	2.0
India*	6.1	2.7	5.2	3.0	3.8	3.5
Brazil	1.1	-7.0	4.0	3.7	2.5	3.0
Russia	1.3	-6.5	3.5	4.3	3.3	3.5

SOURCE: BNP PARIBAS GROUP ECONOMIC RESEARCH (E: ESTIMATES & FORECASTS)

\*FISCAL YEAR FROM 1<sup>ST</sup> APRIL OF YEAR N TO MARCH 31<sup>ST</sup> OF YEAR N+1

\*\*LAST UPDATE 01/06/2020

### INTEREST & EXCHANGE RATES

Interest rates, %		2019		2020				2019			2020e			2021e		
End of period		Q3	Q4	Q1	Q2e	Q3e	Q4e	2019	2020e	2021e	2019	2020e	2021e	2019	2020e	2021e
US	Fed Funds (upper limit)	2.00	1.75	0.25	0.25	0.25	0.25	1.75	0.25	0.25						
	T-Notes 10y	1.67	1.92	0.67	0.80	1.00	1.25	1.92	1.25	1.50						
Ezone	Deposit rate	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50						
	Bund 10y	-0.57	-0.19	-0.46	-0.50	-0.30	-0.20	-0.19	-0.20	0.00						
	OAT 10y	-0.28	0.08	-0.05	-0.15	0.00	0.05	0.08	0.05	0.20						
	BTP 10y	0.83	1.32	1.55	1.30	1.20	1.10	1.32	1.10	1.10						
	BONO 10y	0.15	0.47	0.68	0.50	0.50	0.50	0.47	0.50	0.60						
UK	Base rate	0.75	0.75	0.10	0.10	0.10	0.10	0.75	0.10	0.10						
	Gilts 10y	0.40	0.83	0.31	0.55	0.85	0.90	0.83	0.90	1.10						
Japan	Bol Rate	-0.06	-0.05	-0.07	-0.10	-0.10	-0.10	-0.05	-0.10	-0.10						
	JGB 10y	-0.22	-0.02	0.02	0.00	0.00	0.05	-0.02	0.05	0.15						

LAST UPDATE: 20/03/2020

Exchange Rates		2019		2020				2019			2020e			2021e		
End of period		Q3	Q4	Q1	Q2e	Q3e	Q4e	2019	2020e	2021e	2019	2020e	2021e	2019	2020e	2021e
USD	EUR / USD	1.09	1.12	1.10	1.09	1.10	1.12	1.12	1.12	1.17						
	USD / JPY	108	109	108	104	102	100	109	100	95						
	GBP / USD	1.23	1.32	1.24	1.24	1.26	1.29	1.32	1.29	1.38						
	USD / CHF	1.00	0.97	0.97	0.97	0.96	0.96	0.97	0.96	0.92						
EUR	EUR / GBP	0.89	0.83	0.89	0.88	0.87	0.87	0.83	0.87	0.85						
	EUR / CHF	1.09	1.09	1.06	1.06	1.06	1.07	1.09	1.07	1.08						
	EUR / JPY	118	122	118	113	112	112	122	112	111						

LAST UPDATE: 12/05/2020

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)



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## CALENDAR

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## LATEST INDICATORS

In terms of data, the week was dominated by the purchasing managers' indices. As explained in detail in Pulse, there was a broad-based improvement on the back of the easing of lockdown measures. The levels remain low however compared to historical averages and reflect an ongoing contraction of activity, albeit at a slower pace compared to April. The ECB Governing Council saw enough reasons to increase the level of monetary accommodation by increasing the pandemic emergency purchase programme with EUR 600 bn and extending it until June of next year. In the US the initial unemployment claims continued to decline, which is a relief. The labour market report brought a huge positive surprise with 2.5 million jobs being created versus a Bloomberg consensus forecast of 7.5 million job losses and a decline in the unemployment rate from 14.7% to 13.3% versus an expectation of 19.0%. Although the lockdown may somewhat distort the data, the report nevertheless suggests that the gradual reopening of the US economy already had a clearly positive influence.

DATE	COUNTRY	INDICATOR	PERIOD	ACTUAL	PREVIOUS
06/01/2020	China (Mainland)	Caixin Mfg PMI Final	May	50.7	49.4
06/01/2020	Spain	Manufacturing PMI	May	38.3	30.8
06/01/2020	Italy	Markit/IHS Mfg PMI	May	45.4	31.1
06/01/2020	United Kingdom	Markit/CIPS Mfg PMI Final	May	40.7	40.6
06/01/2020	United States	Markit Mfg PMI Final	May	39.8	39.8
06/01/2020	United States	ISM Manufacturing PMI	May	43.1	41.5
06/02/2020	France	Markit Mfg PMI	May	40.6	40.3
06/02/2020	Germany	Markit/BME Mfg PMI	May	36.6	36.8
06/02/2020	Euro Zone	Markit Mfg Final PMI	May	39.4	39.5
06/03/2020	China (Mainland)	Caixin Services PMI	May	55	44.4
06/03/2020	Spain	Services PMI	May	27.9	7.1
06/03/2020	Italy	Markit/IHS Svcs PMI	May	28.9	10.8
06/03/2020	United Kingdom	Markit/CIPS Serv PMI Final	May	29	27.8
06/03/2020	Euro Zone	Unemployment Rate	Apr	7.3	7.4
06/03/2020	United States	Markit Comp Final PMI	May	37	36.4
06/03/2020	United States	Markit Svcs PMI Final	May	37.5	36.9
06/03/2020	United States	ISM N-Mfg PMI	May	45.4	41.8
06/04/2020	France	Markit Serv PMI	May	31.1	29.4
06/04/2020	France	Markit Comp PMI	May	32.1	30.5
06/04/2020	Germany	Markit Services PMI	May	32.6	31.4
06/04/2020	Germany	Markit Comp Final PMI	May	32.3	31.4
06/04/2020	Euro Zone	Markit Serv Final PMI	May	30.5	28.7
06/04/2020	Euro Zone	Markit Comp Final PMI	May	31.9	30.5
06/04/2020	Euro Zone	Retail Sales MM	Apr	-11.7	-11.2
06/04/2020	Euro Zone	ECB Deposit Rate	Jun	-0.5	-0.5
06/04/2020	United States	Initial Jobless Claims	25 May, w/e	1,877K	2,126K
06/05/2020	United States	Non-Farm Payrolls	May	2,509K	-20,500K
06/05/2020	United States	Unemployment Rate	May	13.3	14.7

SOURCE: THOMSON REUTERS





## CALENDAR: THE WEEK AHEAD

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## COMING INDICATORS

The highlight of next week is the FOMC meeting followed by the press conference of Jerome Powell. We will have inflation numbers in several countries (China, US, France) and industrial production in Germany, France and the eurozone. The **Banque de France** will publish its industrial sentiment index and in the US we will have the small business optimism index for May as well as University of Michigan sentiment for June.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
06/08/2020	Japan	GDP Annualized SA QoQ	1Q	-2.1%	-3.4%
06/08/2020	Germany	Industrial Production WDA YoY	April		-11.6%
06/08/2020	Japan	Eco Watchers Survey Outlook SA	May		16.6
06/09/2020	France	Trade Balance	Apr		-3.343e+09
06/09/2020	Eurozone	Employment QoQ	1Q		-0.2%
06/09/2020	Eurozone	GDP SA QoQ	1Q		-3.8%
06/09/2020	United States	NFIB Small Business Optimism	May		90.9
06/10/2020	Japan	Core Machine Orders YoY	April	-19.2%	-0.7%
06/10/2020	China	PPI YoY	May	-3.2%	-3.1%
06/10/2020	China	CPI YoY	May	2.6%	3.3%
06/10/2020	France	Industrial Production MoM	April		-16.2%
06/10/2020	Eurozone	OECD Publishes Economic Outlook			
06/10/2020	United States	MBA Mortgage Applications	June		-3.9%
06/10/2020	United States	CPI Ex Food and Energy YoY	May	1.3%	1.4%
06/10/2020	United States	FOMC Rate Decision (Upper Bound)	June	0.25%	0.25%
06/10/2020	China	Aggregate Financing CNY	May	3.2e+12	3.09e+12
06/11/2020	France	Private Sector Payrolls QoQ	1Q		-2.3%
06/11/2020	France	Bank of France Ind. Sentiment	May		48
06/11/2020	United States	PPI Ex Food and Energy YoY	May	0.5%	0.6%
06/11/2020	United States	Initial Jobless Claims	June		
06/12/2020	France	CPI EU Harmonized YoY	May		0.2%
06/12/2020	Eurozone	Industrial Production WDA YoY	April		-12.9%
06/12/2020	United States	University of Michigan. Sentiment	June	75.0	72.3

SOURCE: BLOOMBERG



# FURTHER READING

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<a href="#">Turkey: Resilience ahead</a>	EcoTV Week	5 June 2020
<a href="#">Eurozone : Fastest broad money growth since 2009</a>	Chart of the Week	3 June 2020
<a href="#">Global: COVID-19: Key measures taken by governments and central banks (update)</a>	EcoFlash	3 June 2020
<a href="#">European Union: After an ambitious proposal, preparing for difficult negotiations</a>	EcoWeek	29 May 2020
<a href="#">Eurozone: First signs of a timid turnaround</a>	EcoWeek	29 May 2020
<a href="#">France: slightly brighter skies in May</a>	EcoTV Week	29 May 2020
<a href="#">Covid-19, unemployment, human capital and households' balance sheet</a>	Podcast	28 May 2020
<a href="#">Eurozone: At the trough?</a>	Chart of the Week	27 May 2020
<a href="#">Global: COVID-19: Key measures taken by governments and central banks (update)</a>	EcoFlash	27 May 2020
<a href="#">Dual economic shock in the Gulf: risks and prospects</a>	EcoTV Week	25 May 2020
<a href="#">China: China, still weakened by the Covid-19 shock</a>	EcoWeek	22 May 2020
<a href="#">Global: The COVID-19 recession: this time is really different</a>	EcoWeek	22 May 2020
<a href="#">Eurozone: Four countries, four ways to recover</a>	EcoFlash	20 May 2020
<a href="#">COVID-19: Key measures taken by governments and central banks (update)</a>	EcoFlash	20 May 2020
<a href="#">Central European economies should not avoid a recession in 2020</a>	Chart of the Week	20 May 2020
<a href="#">Spain, Eurozone and China in the EcoTV of May</a>	EcoTV	19 May 2020
<a href="#">US: The COVID-19 pandemic and the US equity market</a>	EcoWeek	18 May 2020
<a href="#">US: Accelerated fall</a>	EcoWeek	18 May 2020
<a href="#">In front of Covid-19 crisis, is there a place for any "green deal"?</a>	EcoTV Week	15 May 2020
<a href="#">COVID-19: Key measures taken by governments and central banks (update)</a>	EcoFlash	13 May 2020



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